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Evaluation

Joint assessment of the progress in the implementation of the cooperation agreement between UNIDO and UNDP, together with the joint management response

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I. Introduction

1. The present report documents the main findings and recommendations of the joint assessment of the progress in the implementation of the cooperation agreement between the United Nations Industrial Development Organization (UNIDO) and UNDP, dated 23 September 2004 (henceforth referred to as the agreement), and the related 'framework for joint UNIDO/UNDP technical cooperation programmes on private sector development' signed the same day (henceforth referred to as the 'framework').

2. The joint assessment was commissioned as an independent exercise under the auspices of the heads of the evaluation offices of UNDP and UNIDO. The evaluation team consisted of two independent consultants and staff members from the UNIDO and UNDP evaluation offices. One of the independent consultants acted as the team leader. It is important to note that the exercise was an assessment, not a full-fledged evaluation, given the limited implementation time of the agreement since its signature in September 2004, and hence the limited evidence of results achieved on the ground.

3. The assessment was carried out in the period June-September 2006. The assessment methodology included a desk review of background documents; a survey of some 100 questionnaires sent out to UNDP country offices, UNIDO staff in the field and at headquarters, and national counterparts in the government and the private sector; interviews at UNDP and UNIDO headquarters; and validation missions to four countries (Armenia, the Lao People's Democratic Republic, Nicaragua and Sierra Leone). Two briefings took place, in Vienna and New York, respectively, to inform the governing bodies of UNDP and UNIDO of progress in the assessment and to obtain their feedback. The criteria for progress or the achievements of results have been set at the process level, rather than at a higher 'outcome' level.

4. The terms of reference for the assessment highlighted two key questions to be addressed:

(a) *What is the level of progress of the agreement, including the factors affecting positively and/or negatively the implementation?*

(b) *What are the forward-looking recommendations for further developing and/or adjusting this type of field coordination and programmatic cooperation as a model?*

II. The cooperation agreement and its context

5. The agreement was signed in September 2004 by the Administrator of UNDP and the Director General of UNIDO. Designed to facilitate greater collaboration between the two organizations, the agreement recognized the core competencies of UNIDO and its high level of expertise, and the strength of UNDP at the country level and its capacity to deliver services to a wide range of partners. Aimed at strengthening cooperation in a number of areas, but focused mainly on private sector development, the agreement would allow the government and private sector partners in countries where the two organizations are active to benefit from more

effective delivery and higher-quality services and programmes in support of their national development goals.

6. The agreement included two main components. It established the basis for UNDP and UNIDO to develop joint technical cooperation programmes, particularly in support of private sector development, in accordance with the recommendations of the report of the United Nations Commission on the Private Sector and Development (henceforth referred to as the Commission) entitled *Unleashing Entrepreneurship*, and the UNIDO corporate strategy. The agreement also introduced a new model of field representation with UNIDO, establishing UNIDO desks within UNDP country offices in 15 pilot countries over a pilot period of two years. Over a five-year period, the agreement foresees that "UNIDO intends to increase, including through a rationalization of its field structure and the establishment of UNIDO desks in UNDP country offices, its country coverage to up to 80 countries" (article V.5).

7. The Commission emphasized the role and contribution of private sector and local entrepreneurship in developing countries in poverty alleviation and towards the achievement of the Millennium Development Goals. One of the key recommendations of the Commission was to apply the approach of specialization and partnership to private sector development, an area where both UNDP and UNIDO were involved. Within UNIDO, the issue of an effective decentralization of activities and of a strengthened field representation had been a priority since the adoption of the business plan on the future role and functions of UNIDO in 1997, and it had been a central and recurrent item for UNIDO governing bodies. Following an internal assessment in 2004, UNIDO governing bodies recommended that UNIDO expand its field presence in a carefully planned and phased approach. They encouraged the UNIDO secretariat to engage in dialogue with UNDP in this context.

8. The agreement was conceived in direct discussions between the heads of the two organizations during the summer of 2004. The confluence of interests enabled the two leaders to capture the potential of the agreement to embody the recommendations of the Commission, applying the approach of specialization and partnership and developing a model for inter-organizational cooperation using the UNDP country office as a platform whereby UNIDO provided technical services in programme countries.

9. The agreement was the subject of extensive dialogue and consultations with UNIDO Member States, and UNIDO governing bodies took a number of decisions in that respect.[1] The agreement was also presented to the Executive Board of UNDP but was never the subject of a specific decision.

III. Implementation status of the agreement

10. The agreement was the result of the vision of the heads of the two organizations and was negotiated and agreed through their strong leadership. On the basis of that impetus, the organizations rapidly initiated the establishment of the UNIDO desks and launched a process of dialogue at the country level that resulted in the formulation of new joint private sector development programmes (PSDPs).

[1] A list of the relevant decisions and resolutions is available from the UNIDO secretariat.

11. Overall implementation of the two components of the agreement (UNIDO desks and the Private Sector Development Programme) progressed satisfactorily, despite initial start-up delays and numerous constraints.

12. Thirteen of the fifteen UNIDO desks envisaged under the agreement have been established and staffed with qualified professionals designated as heads of UNIDO operations. The desks have increased the visibility of UNIDO with government, the private sector and the United Nations country teams (UNCTs). Heads of UNIDO operations have participated actively in United Nations and national planning processes, and in the course of their brief service to date they have been actively positioning themselves to contribute to the preparation of United Nations Development Assistance Frameworks (UNDAFs). In the desk countries that responded to the survey questionnaires, senior managers in UNDP country offices rated the selected heads of UNIDO operations highly, and their job performance as meeting or exceeding expectations.

13. The respondents to questionnaires from all target groups indicated that the UNIDO desks had so far proved to be an adequate means to represent, promote and support the combined strengths of UNDP and UNIDO to serve the needs of countries, and further improvements were expected of future performance. All UNDP respondents recommended the replication of UNIDO desks in other countries as a means of making UNIDO technical services accessible to the countries.

14. In line with the terms of the agreement, UNDP provided the UNIDO desks with office space and other local operating support at no cost for the first two years of their operation, which involved the Administrator's waiving the cost recovery requirement.

15. The terms of reference set out five criteria for assessment of the agreement.[2] These included:

(a) New joint projects and programmes in private sector development and other areas;

(b) New UNIDO projects and programmes;

(c) Improved visibility of UNIDO in United Nations programming;

(d) Funds mobilization for new projects and programmes; and

(e) Potential cost recovery from new projects and programmes implementation.

There has been observable progress on the first three of those five assessment criteria.

16. On the joint projects and programmes in private sector development and other areas, the agreement resulted in a large volume of joint programme formulation activity. Thirty-three joint programmes are under development, for a total amount of about $80 million. Fourteen programmes fall under the framework. The total financial volume of the already-developed programmes under the framework amounts to $52.6 million.

17. The UNIDO desks report 42 new UNIDO projects and programmes under development for an amount of about $30 million. It should be noted, however, that these data are estimates, and actual amounts will depend on the success of resource mobilization.

[2] Extracted from *Criteria for selection and assessment of the effectiveness of UNIDO desks*, IDB.29/CRP.4

18. In the context of the relatively short period of time since the agreement was signed and since the UNIDO desks started operations (ranging between 9 and 18 months), the evaluators consider the formulation volume significant.

19. Resource mobilization activities are just getting under way in many UNIDO desk countries, and the results to date are far below expectations. Both organizations have committed core funds of about $1.6 million to the three most advanced joint PSDPs (the Lao People's Democratic Republic, Rwanda and Tanzania). Those programmes are now under implementation. Heads of UNIDO operations report over $4.1 million total resource mobilization in the desk countries since the inception of the agreement. However, in these cases 'funds mobilized' often refer to unofficial donor commitments recorded by heads of UNIDO operations rather than to official approvals by donors.

20. Results in resource mobilization will affect the potential for cost recovery from project and programme implementation. It appears unlikely that revenue generated as support costs from implementation will offset the costs of the UNIDO desks, as envisaged by the agreement. The potential cost recovery from new project and programme implementation is an unrealistic indicator of success, particularly in the short and medium term.

21. An analysis of the joint PSDP documents revealed that in general the documents are of good quality. 'Quality' refers to the logic and coherence of the document and its compliance with good practices in programme design. In particular, the evaluation team made the following observations:

(a) All programmes have made an effort to ensure that the joint PSDPs are relevant to and aligned with national priorities and strategies;

(b) All joint PSDPs made efforts to ensure coordination with other donor activities, usually in the context of the national programme but also through analysis of the donor situation;

(c) All are results-oriented, focusing on clear outcomes and outputs; and

(d) The implementation arrangements are generally not clear, reflecting a lack of sufficient attention to those arrangements in the framework.

22. The UNIDO investment to date in formulating joint PSDPs under the framework amounts to approximately $500,000. UNDP expertise in developing the programmes was covered by the country offices on a country-by-country basis. The quality of the programme documents and the total financial volume ($52.6 million) of the programmes already developed under the framework indicate cost efficiency. The real value of the formulations and their effectiveness will depend on how many of those programmes will be actually funded and implemented.

IV. Key issues

23. During implementation of the agreement several issues emerged related to its terms and design and how it has been implemented jointly and respectively by the two organizations. The main issues are highlighted below.

24., *An initial top-down approach was necessary*. The agreement was driven by the heads of the two organizations and thus took on political importance for both. There was top-down pressure on senior managers in both organizations to conclude the agreement rather than to carry out a critical analysis or feasibility study to identify

potential problems and an implementation strategy to address them. The top-down approach was necessary to provide impetus to the agreement and overcome initial organizational resistance, bureaucratic obstacles and rigidities.

25. *The approach to pilot activity was inappropriate.* The agreement was too rigid for what was meant to be a pilot exercise. It neglected to provide for a mechanism for adaptation during the pilot phase. This was a critical oversight, as any pilot activity requires a robust framework for monitoring and feedback so that adaptations can be identified and implemented.

Joint management arrangements were insufficient.

26. While the agreement notes the importance of establishing the necessary management arrangements, no formal structures were established for joint management, including joint monitoring, reporting, problem solving and decision-making. Similarly, field level participation in the management process (UNDP country offices and UNIDO desks) has been inadequate. Such arrangements, particularly a joint feedback mechanism, are absolutely critical for the pilot activities included in the agreements.

27. The complexity of management was further increased by the fact that desk countries and joint PSDP countries were selected and agreed upon by the two organizations on the basis of separate criteria and treated as separate pilots.

28. *The need for a joint implementation strategy was underestimated.* Top management in both organizations underestimated the magnitude of the changes mandated by the agreement for their respective organizations, and failed to develop an effective joint strategy to operationalize the agreement. A change strategy would have had to be devised, taking into account the following:

(a) How to address the asymmetries of the two organizations in terms of size, degree of decentralization and related decision-making processes;

(b) How to promote a better reciprocal understanding between the two organizations in terms of programmatic approach, comparative advantage and culture;

(c) How to carry out a campaign to change staff attitudes within both organizations and overcome resistance or indifference to the agreement, including obtaining support from the concerned UNDP country offices, which were being asked to share the costs of implementation;

(d) The need to put in place effective communications arrangements between headquarters and the country level;

(e) The need for joint systems development and procedural guidance in many areas, particularly joint programming for private sector development and knowledge sharing;

(f) The need to exploit synergies because of the separate treatment of the two main components of the agreement;

(g) The need for a joint reporting system for joint data collection and analysis of activities carried out under the agreement.

29. *Different organizational response time for implementation created gaps in expectations.* The agreement did not accord adequate primacy to the fact that country offices would be the prime movers for implementation at the country level. Since UNDP is a country-based, country-focused organization in which programme management decisions are country-driven, its country offices required a gestation

time to understand and the process and transfer UNDP obligations to UNIDO desks. Due to the waiver of cost recovery, they were being required to fund administrative support costs for UNIDO desks from their own extrabudgetary resources. The initial response of UNDP country offices to demands for operational support to UNIDO desks for the pilot two-year period therefore seemed hesitant and slower than expected. UNIDO has a more centralized decision-making approach and moved ahead promptly with implementation. The different response time created gaps in expectation. Many of the operational support issues have now been resolved, but there are still a number of pending matters – particularly logistical support and financial resources for daily operations.

30. *Joint private sector development programming and other collaborative approaches were not explored sufficiently.* The two organizations and the framework have different concepts and areas of interest related to private sector development. Not much has been done, as yet, to enhance conceptual clarity. Indeed, the emphasis given to joint programme development for private sector development over other less ambitious forms of collaboration – such as knowledge sharing and networks, joint development of tools such as manuals and software packages and joint research programmes – has not been examined. The assessment team considers that there have missed opportunities in this respect and that great potential for collaboration exists. Further, the relationships between various country level programming instruments (such as the UNDAF, UNIDO integrated programmes and joint programmes) have been identified as a source of confusion.

31. *The potential for synergy was not fully grasped.* Interviews with UNDP staff at headquarters and in some country offices suggested that many had limited interest in the work of UNIDO beyond the specific private sector development issues that they have been addressing, namely, advocacy and policy advice on the business environment, and interventions to support small- and medium-scale enterprise development. These issues may be driven by country priorities. However a better understanding of areas of UNIDO work could help to optimize their use and better support human development, poverty reduction, the achievement of the Millennium Development Goals and other macro-level aims of the organization. Competition (real or perceived) for funding at the country level was another factor that in some cases hindered collaboration in private sector development.

32. *Heads of UNIDO operations: profiles are strong but personnel issues need to be resolved.* UNIDO has chosen strong self-starters for heads of UNIDO operations posts. However, a number of personnel issues related to the heads of UNIDO operations were identified during the assessment, including lack of clarity with respect to their career path, reporting and supervision lines, job profile, and how their performance is evaluated. Resolution of those issues is essential to long-term retention of the most qualified staff members.

33. A number of factors influenced negatively the performance of the heads of UNIDO operations:

(a) Unclear understanding of representational roles and opportunities for the participation of heads of UNIDO operations in UNCTs. The agreement entrusts the UNDP resident representative to be the overall representative, while the job description states that UNIDO is represented by the head of UNIDO operations in the country.

(b) Uneven and often slow technical support from UNIDO headquarters. Heads of UNIDO operations require technical and specialized expertise from UNIDO headquarters to support their advisory service.

(c) The distorting effect of an over-emphasis on resource mobilization implicit in the agreement.

(d) Unclear scope of the responsibilities of heads of UNIDO operations (for example, their role in joint PSDP development is not included in the job profile).

(e) Lack of budget for heads of UNIDO operations beyond the operational support provided by UNDP.

34. *There was poor linkage with and/or understanding of United Nations Development Group (UNDG) policies.* The framework, as a bilateral agreement outside the interagency framework of cost recovery, does not refer to the UNDG work on joint programming. It states clearly that the format of the joint PSDPs should "follow the formats defined in the UNDP Programming Manual" (article 4.4). These procedures place UNIDO in the role of contractor to UNDP and have the potential to incorporate excessive support costs into funds provided by cost-sharing donors. This is contrary to the spirit of partnership upon which the agreement is based. The framework should have been designed for joint United Nations system programming, taking full note of UNDG policies and procedures on joint programming.

35. *Resource mobilization challenges were underestimated.* At headquarters, UNIDO had high expectations with regard to increasing its resource mobilization, and it formulated its private sector development programmes accordingly. Some of the optimism may have resulted from perceived donor support for joint or harmonized approaches, at least in their headquarters rhetoric. Country validation missions reported a greater donor concern with real added value from joint efforts. In many cases government support, often a prerequisite for effective resource mobilization, has not been forthcoming as was initially expected. Given the fact that neither organization could fully fund joint programmes, the approach to joint resource mobilization has so far been ineffective. The new aid architecture, and the harmonization and alignment agenda in particular, point to a need for innovative approaches to the design of project and programme execution modalities.

36. *The financing strategy was unrealistic and inappropriate.* Funding for the 15 UNIDO desks was secured for two years, leaving the longer-term strategy at a tentative level. The agreement states a prospective expectation that, over time, revenue generated as support costs from the implementation of new programmes will offset the cost of maintaining the UNIDO desks.[3] Many variables affect the extent to which the additional volume of technical cooperation can generate income to offset the additional cost of maintaining a desk. These factors, all of which are beyond the control of the head of UNIDO operations, include:

(a) The availability of resources for programme development (these were made available primarily for joint PSDPs in pilot countries but less so for other countries or programmatic areas);

(b) The selection of UNIDO as implementing organization for approved programmes that have been formulated jointly (UNIDO may be selected to implement only a part of a joint programme, or implementation may occur under modalities other than UNIDO, such as bilateral arrangements);

(c) The timing of resource mobilization and programme approval;

[3] Article 5.3.k requires the organization to "close the UNIDO desks if, after two years of operations, it fails in any country to generate programmes and projects with sufficient income to cover the costs of the UNIDO desks."

(d) The UNIDO support cost rates that are agreed with the donor; and

(e) The delivery rate for UNIDO implementation.

For these reasons, the deadline for financial self-sufficiency on the basis of cost recovery – two years from the date of establishment of a UNIDO desk – is unlikely to be met. The desks will be unable to continue beyond the pilot phase until a new strategy for financing the operational cost of maintaining the desks is in place.

37. *Overemphasis on resource mobilization diverts the attention of the head of UNIDO operations from other activities.* The agreement implicitly requires the head of UNIDO operations to give priority attention to resource mobilization in order to ensure the financial survival of his/her post. This requirement becomes the primary performance indicator for the head of UNIDO operations, diverting attention from other activities of equal importance and relevance to the countries. These include advocacy for private sector development, the provision of advice and information to governments and the private sector, and efforts to improve coordination within the United Nations system.

V. Main conclusions

38. *The conclusions are only preliminary.* The brief period of time that has elapsed since the start of implementation of the agreement is insufficient to evaluate fully the effectiveness of the UNIDO desks or of the joint PSDPs. Most of the conclusions relate to efficiency in the implementation of the agreement so far.

39. *Promise for success.* The implementation results so far show promise for success in the joint promotion of private sector development and the expansion of UNIDO representation in most of the countries included in the pilot phase of the agreement. These positive results are remarkable, particularly because they were achieved despite weaknesses in the agreement itself and problems in its implementation. Even after a short period of implementation, all stakeholders who participated in this assessment agree that the collaboration has potential. The assessment team therefore concludes that the collaboration is worth continuing, albeit with a number of modifications to its implementation modality.

40. *A relevant initiative.* The agreement, with its emphasis on pro-poor private sector development, is highly relevant since both UNDP and UNIDO are committed to implementing the Millennium Development Goals, a priority emphasis of which is poverty reduction. Moreover, there is a complementary fit between the two organizations, with UNIDO providing experience and expertise on private sector development and UNDP providing country-level convening power and opening a wider perspective on the local conditions necessary for pro-poor growth. The agreement represents an entry point for reciprocal learning and cross-fertilization in these areas.

41. The UNIDO desks are relevant in two additional ways. First, to the Member States that want expanded access to technical expertise of UNIDO, and second, to supporting improved United Nations system coherence at the country level using the UNDP umbrella.

42. *An effective approach for leveraging national expertise.* The UNIDO desk proved a good investment in national capacity and an effective approach for the use of national high-level expertise. The heads of UNIDO operations were identified

through a professional and transparent recruitment process and proved an excellent vehicle for expanded country presence and facilitating access by the public and private sectors alike to advice and expertise in the areas covered by the Agreement. Precondition for the effectiveness of the approach is the full understanding and acceptance by country level authorities of the benefits of a national technical representation, an open and facilitating approach by UNDP to UNCT participation and effective technical and substantive support by UNIDO.

43. *A cost-effective approach.* The UNIDO desk staffed with a national head of UNIDO operations appears to be a cost-effective option for UNIDO presence in a number of countries compared to a full UNIDO country representative. The head of UNIDO operations and the country representative have similar technical job profiles (except formal representation). However, the estimated cost of a country representative position is $350,000 per annum (including support staff and office costs) in contrast to $100,000 per annum for a head of UNIDO operations. While there are trade-offs for adopting either staffing approach, the UNIDO desk would appear to be an attractive alternative for expanding UNIDO field representation. Because of the demonstrated and potential added value of the approach, the UNIDO desk is definitely a good alternative to no representation at all.

44. *The agreement and the implementation strategy need to be revisited.* The agreement itself needs to be revisited in order to address the design shortcoming highlighted above, and an effective implementation strategy needs to be put into place by both organizations in order to overcome the implementation shortcomings listed in chapter III, "Key issues," above, and to ensure an efficient, effective continuation of activities.

45. *A new approach to financial sustainability of the UNIDO desks is urgently needed.* The assessment team considers that the financing strategy for the UNIDO desks included in the agreement is not only unrealistic, as outlined in paragraph 37 above, but also inappropriate, since it does not envisage long-term solutions and options for the funding of UNIDO desks beyond the two-year pilot period.

VI. Recommendations

46. This section captures the recommendations made in the main report. Recommendations are intended for the consideration of management in the respective organizations and for eventual consideration by governing bodies when they touch upon financial or policy issues. The recommendations should be considered together with the management responses produced by the two organizations, either jointly or individually.

A. Continue implementation with adjustments and a phased approach

47. Implementation of the agreement should continue for the envisaged initial period of five years. Major improvements and adjustments should, however, be introduced in the implementation approach, and a more effective joint management mechanism should be put in place. The financial and sustainability issues should be revisited.

48. Both organizations should consider the expansion of the agreement beyond its bilateral nature and align it with the respective organizational responses to new and emerging country-level United Nations-wide reform initiatives.

49. In order to overcome the rigidities encountered in implementing the agreement, the parties should consider either revising it or developing an operational appendix to the agreement to guide future implementation and address the issues raised in this assessment. The assessment team recommends pursuing the second option, which is less legalistic, more operational, and can be implemented faster and more easily. Whichever approach is adopted, the resulting document should be a living document that can be adapted to changing circumstances.[4]

50. The new document should clearly define the envisaged lines of cooperation on issues that were included in the agreement but which were not sufficiently clear or were not implemented, in particular:

(a) Conceptual clarity and programmatic complementarity in private sector development;

(b) Clear synergies between the two main components of the agreement;

(c) Joint programming modalities in all areas covered by the agreement, including programme and project identification, and formulation and channeling of funds;

(d) Joint country-level cooperation in resource mobilization under the leadership of the respective governments, high level joint advocacy and resource mobilization in donor capitals;

(d) A clearly defined joint operational strategy (see detailed recommendation below); and

(e) A full-fledged evaluation to be envisaged towards the end of the five-year period covered by the agreement.

51. A phased approach should be followed, consisting of the following steps:

(a) Continue operation of the UNIDO desks in the 13 pilot countries and establish the two remaining desks included in the pilot period. In clarification of the terms of the agreement, UNDP would provide support costs for UNIDO desks for a two-year period from the starting date of each desk;

(b) Continue initiated action to gradually convert existing UNIDO focal point offices to UNIDO desks. This should be done in consultation with the host countries and UNDP, along the lines of the assessment recommendations;

(c) In view of the already demonstrated value as shown in the assessment, gradually expand the network of UNIDO desks, provided that funding from UNIDO or alternative sources is ensured and that the recommended management mechanisms are in place. Any decision for expansion should be based primarily on country interests and the agreement by the country office to host the desk. The ambitious target of expanding UNIDO desks to up to 50 countries may need to be revisited.

52. To ensure smooth continuation of the operations of the UNIDO desks and realizing the benefits of investments made to date, the criteria for closure of desks should disregard the self-financing clause of the agreement and should be based

[4] Article 5.3.c. of the agreement states that "…based on the outcome of the assessment UNIDO will, in consultation with UNDP, either expand the network of the UNIDO desk to other countries, modify the approach or arrangements, or expand the duration of the pilot phase".

primarily on the interests of the recipient country, as well as on the willingness of the country office to continue hosting the desk.

53. The focus on joint private sector development programmes should continue, but other substantive areas of cooperation, such as energy and environment, which were included in the agreement but not pursued so far, should be considered.

B. Devise a sustainable funding arrangement for UNIDO desks

54. UNIDO should devise a sustainable funding arrangement beyond the two-year pilot period to ensure the sustainability and expansion of UNIDO desks. This financing strategy should be supported by a commitment for programme funding by UNDP at the country level, within the wider priorities of country needs.

55. Financing of the operational costs upon completion of the pilot period include the options listed below, which do not follow any order of priority and can be used individually or in any combination.

(a) UNIDO:

(i) Coverage of the operational costs from UNIDO regular budgets;

(ii) Dedication of support costs from UNIDO programme implementation. To determine the costs and offsetting income will require UNIDO Headquarters to clearly identify those projects that were resulting from UNIDO desk activities and extract from the accounts part of the corresponding income as well as UNDP country offices to determine actual costs of desk operations on a country by country basis;

(iii) Reduce UNIDO country representative posts and reallocate resources to the UNIDO desks.

(b) Other partners:

(i) Expanded voluntary contributions to UNDP and UNIDO, along the lines of the Belgian contribution to UNDP;

(ii) United Nations reform initiatives for funding country-level coordination;

(iii) Cost-sharing with host countries of the UNIDO desks;

(iv) Country level contributions by UNDP based on programme/project development.

C. Continue cooperation under the private sector development framework

56. Cooperation under the private sector development framework should continue, subject to improved joint programme modalities and confirmation of commitment to knowledge-sharing and UNIDO participation in private sector development and other knowledge networks relevant to the agreement.

57. Both organizations should devote sufficient resources to carry out comprehensive country analysis as a foundation for the effective preparation of programmes.

58. Before considering any expansion of the joint PSDPs, give highest priority to the joint global resource mobilization efforts prescribed in the framework but not

implemented.[5] In addition, the partner organizations should explore the possibility of establishing a joint trust fund. Resource mobilization at the country level, under the leadership of the resident coordinator, should be carried out in every programming country.

D. Define a joint implementation strategy

59. A formal joint management mechanism or group should be established to manage the continuing implementation of the agreement and the framework. This would include monitoring, identification, resolution of operational problems in relation to the agreement and the framework, and carrying out recommendations for change that have been mutually agreed. The first step would be to follow up on the recommendations set out in this assessment and agreed upon by the management of the two organizations. Each organization should have one coordinator for the entire agreement. The precise nature of this mechanism will need to be developed following intensive consultations between the partner organizations.

60. At the country level, working arrangements should be formalized through consultations between the UNDP resident representative and the head of UNIDO operations to define specific mutual responsibilities (such as programmatic priorities, resource mobilization, UNCT participation, and technical and operational support). While targeting specific country conditions and requirements, country-level arrangements should not be ad hoc and should be devised within the overall coherent cooperation modality established by the agreement.

E. Recommended actions for UNIDO

61. *Continue the agreement in the context of the overall UNIDO corporate strategy* relating to United Nations programmatic and country-level partnerships as well as organizational responses to United Nations reform initiatives. This will require making medium- to long-term choices on the most suitable and financially feasible modalities and mix of options for expanded country-level presence (regional offices, country offices, UNIDO desks). The issues of choice of representation, category of staff deployment at the country level (international/ national), level of authority, streamlined technical support services, managerial delegation and sequencing of programming with country-driven initiatives will need to be clearly in the sights of management as situations unfold.

62. *Incorporate the head of UNIDO operations into the overall organizational structure of UNIDO.* Fully include the head of UNIDO operations in the human resources policy framework and related policy documents and administrative instructions. Strengthen the field coordination mechanism so as to ensure proper monitoring and follow-up of UNIDO desk work plans, and improve technical support and information flows to the desks by UNIDO headquarters and regional offices.

63. *Address the relationship issues*:

(a) Clarify the reporting and supervision lines in the relationship between the UNIDO desk and the UNDP resident representative;

(b) Clarify the administrative and technical relationships and reporting lines between the UNIDO desks and UNIDO headquarters and, in the context of the new UNIDO field mobility policy, regional offices;

[5] See article 6.1.1 – At the global level: Joint presentation of the initiative to the headquarters of key potential donors; and joint mobilization of funds for specific activities, including country programme development and the activities referred to in article 4.5.

(c) Clarify the relationship between integrated programmes, stand-alone projects and joint programmes and the role of the head of UNIDO operations in support of all these technical cooperation delivery modalities.

64. *Explore a gradual increase in delegation of administrative and financial authority and accountability of the head of UNIDO operations* within the context of a uniform policy (as opposed to current ad hoc practice). Provide seed money for programming and advisory activities and clarify the leadership issue of programme development and implementation at the country level (joint programmes, integrated programmes).

65. *Include the financial implications for the gradual expansion of UNIDO desks* in the programme and budgets for 2008-2009.

F. Recommended actions for UNDP

66. *Continue the agreement based on a reconfirmed commitment to its implementation* and in the context of the overall UNDP corporate strategy relating to United Nations programmatic and country-level partnerships as well as organizational responses to United Nations reform initiatives.

67. *Enhance communications arrangements between headquarters and the country level*. Issue clear directives to the UNDP resident representatives, clearly delineating their responsibilities and obligations under the agreement, in particular joint programming, joint resource mobilization, and participation of heads of UNIDO operations in UNCTs, monitoring and evaluations based on results. This will promote better understanding of the objectives and advantages of the agreement.

68. In line with the agreement, *initiate knowledge-sharing and networking with UNIDO counterparts* to enable access to and participation in relevant UNDP knowledge networks and to disseminate information on the experience and expertise of both organizations through shared communications channels and networks.

69. Explore the feasibility of creating joint UNIDO-UNDP private sector development teams based at UNDP Regional Centres, in particular in the Africa region where some cooperation already exists. This possibility was mooted in the Cooperation Agreement but never explored.

VII. Outlook beyond the agreement

70. In the spirit of United Nations reform, the agreement is a new model of inter-agency cooperation and field representation, with UNIDO desks established in UNDP country offices. The pilot phase confirms the feasibility of the strategic partnership between a medium-sized specialized agency seeking to expand field representation in a cost-effective manner – such as UNIDO – and UNDP.

71. The pilot phase has demonstrated that excellent use can be made of national high-level expertise to leverage and invest in national capacity.

72. It is too early to draw final conclusions on the replicability of this new model by other organizations. The agreement may, however, have implications beyond UNIDO and UNDP as a possible model for hosting arrangements of United Nations organizations that lack field representation. In this context there are some emerging organizational lessons that can be useful beyond UNIDO and UNDP.

73. The lessons are:

(a) The driving factors for success have been a tradition of cooperation and shared priorities, as well as commitment and strategic vision at the highest level;

(b) Sustained stakeholder interest and policy guidance from Member States is crucial to starting and maintaining the momentum of the cooperation process. However, experience so far indicates that financial support does not automatically result from cooperation;

(c) Innovation and change do not come free; they require resources. Inflexible financial policies reduce the prospects for success. The potential gains for the country and for the participating organizations go far beyond the monetary or financial value of the projects and programmes generated. Narrowing down the ambition to income generation for the organizations through programming and support costs entails the risk of reducing other benefits for the country (such as advice, access to knowledge, and networking);

(d) Despite organizational rigidities, working together at the country level can break the barriers between different organizational cultures, foster understanding and help two organizations provide more effective country-level support.

Annex. Joint management response to the assessment

A. Summary

74. The Administrator of UNDP and the Director-General of UNIDO endorse the overall findings of the assessment team and, subject to any necessary approval by their governing bodies, agree to:

(a) Continue with the collaboration, with modifications;

(b) Establish a joint Task Force to manage the implementation of the cooperation agreement;

(c) Work to expand the number of UNIDO desks to 30 by the end of 2009;

(d) Develop a sustainable funding mechanism for the UNIDO desks; and

(e) Increase efforts to work jointly on private sector development and other projects and programmes including through joint funds mobilization.

B. Detail

75. The heads of UNDP and UNIDO wish to thank the assessment team for the quality and frankness of their assessment of the progress in the implementation of the cooperation agreement between UNIDO and UNDP. While the assessment recognizes that it is difficult to draw firm conclusions given the relatively short period of time since the beginning of the pilot phase, it makes it clear that the agreement has resulted in some significant achievements, despite a number of shortcomings in the agreement itself and in the way in which it has been implemented. However, the primary conclusion of the assessment – that the collaboration is worth continuing, albeit with modifications in its future implementation – clearly appears to be justified by the assessment and is therefore endorsed by the heads of both organizations.

76. Both organizations are committed to building on these achievements and on being in a position, at the end of the initial 5-year period covered by the agreement, to make informed decisions on the value and future of the agreement. In order to attain that position, a number of steps need to be taken over the next three years. Foremost among these is to ensure that there is a coherent, comprehensive strategy to implement the agreement that is fully understood and agreed by both organizations. The recommendation is therefore to formalize a task force composed of UNIDO and UNDP representatives. The task force will be responsible, *inter alia*, for drawing up a set of specific operational modalities to guide future implementation and address the key issues raised by the assessment team.

77. Subject to the development of satisfactory funding arrangements by UNIDO and to any necessary approval by its governing body, UNIDO will work towards a total of 30 UNIDO desks by the end of 2009. This is in line with the phased approach called for in the agreement and recommended in the joint assessment. Although this is a little slower than had been envisaged in the original agreement, it appears to be a more realistic objective given the experience so far. The decision to extend existing desks beyond the two-year period, and/or to open new desks, will be based primarily on the interest of the recipient country and the agreement of the UNDP country office to host the desk, which will be fully funded by UNIDO.

78. The issue of the financial sustainability of UNIDO desks is of crucial importance, and the assessment that current arrangements will not provide the necessary sustainability is therefore particularly worrying. Further work must urgently be carried out to ensure that the current UNIDO desks can continue to operate effectively after the two-year pilot period and that funding will be available to increase the number of desks (if such an approach is authorized). It is agreed that the broad framework should be that UNDP continues to waive the support costs, in line with the existing agreement, for the 15 desks included in the pilot phase for the first two years of their existence, but that UNIDO should be responsible for all funding beyond that point. The full annual cost for 30 UNIDO desks will be approximately $3.3 million (based on an average annual cost per desk of $110,000). UNIDO intends to build the cost of the first 20 desks into its programme and budget for the next biennium (2008-2009). In addition, UNIDO will develop a resource mobilization strategy to raise the additional funds that will be required to open a further 10 desks by the end of 2009 and to ensure their financial sustainability. As required, UNDP will support UNIDO in its resource mobilization efforts.

79. While a considerable amount of work has been dedicated to developing private sector development projects and programmes it is clear that far less work has been dedicated to the key issue of joint resource mobilization for those activities. It is now crucial that this issue is successfully tackled if the framework is to be implemented effectively. A number of means for raising funds mentioned in the framework have not yet been adequately pursued; these should be accorded a high priority. The issue of joint funds mobilization for private sector development under the framework should be considered by the task force mentioned in paragraph 3, above. The task force should also promote improved joint programming modalities and knowledge-sharing.

80. While the framework focuses on cooperation on private sector development, the agreement calls for both organizations to work together on the broader issue of sustainable industrial development. Within the framework of national ownership, every effort will be made to utilize the services of UNIDO in designing and/or implementing projects and programmes related to industrial development that are funded by sources attributed to UNDP. Both organizations endorse the recommendation for clearer guidance, where needed, to be provided to UNDP resident representatives, outlining their responsibilities and obligations under the agreement, particularly on joint programming, joint private sector development resource mobilization, heads of UNIDO office participation in United Nations country teams, and monitoring and evaluations based on results.

81. In taking the agreement forward, both organizations will ensure coherence with wider United Nations country-level reform initiatives.